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GENERAL NOTICE

NOTICE 1036 OF 2012

DEPARTMENT OF COMMUNICATIONS

NOTICE INVITING COMMENT ON THE QUALIFYING CRITERIA FOR THE SET-TOP-BOX SCHEME OF OWNERSHIP AND SUPPORT

The Universal Service and Access Agency of South Africa (USAASA) has prepared the proposed Qualifying Criteria for the Set-Top-Box Scheme of Ownership and Support in the Schedule.

Interested persons are hereby invited to furnish written comment on the proposed Qualifying Criteria for the Set-Top-Box Scheme of Ownership and Support within 30 calendar days of the date of publication of this notice at any of the following addresses:

For attention: Mr. Sithembiso Manzini
Director: E-Content Policy Development
Department of Communications

post to: Private Bag X860
Pretoria
0001

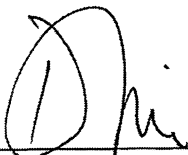
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Please note that submissions received after the closing date may be disregarded.

Mr. Manzini can be reached at telephone number: (012) 427 8287



MS DINA PULE, MP
MINISTER OF COMMUNICATIONS



**QUALIFYING CRITERIA FOR THE SET-TOP-BOX SCHEME OF
OWNERSHIP AND SUPPORT**

December 2012

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1. BACKGROUND

- 1.1. As part of the Broadcasting Digital Migration (BDM) Programme and as per the SOS Rollout Framework (*Scheme of Ownership Support of Set-Top-Box Rollout Framework, February 2012*), the Universal Service and Access Agency of South Africa (USAASA) is required to manage the disbursement of Set-Top-Box (STB) Subsidies to needy TV-owning households located throughout the country.
- 1.2. To ensure that these subsidies are adequately distributed, USAASA, together with other sector stakeholders, is required to firstly develop a criteria by which TV-owning households will qualify for subsidies and secondly to put in place infrastructure, systems and processes to manage the distribution of subsidies to qualifying households and ensure the acquisition of STBs by these households.
- 1.3. The purpose therefore of this document is to provide the qualifying criteria, which USAASA, together with its partners, will use in determining households that qualify for STB subsidies and how these households can acquire STBs.

2. OBJECTIVES

- 2.1. The key objectives of the qualifying criteria outlined herein is to provide clarity to all South African TV-owning households with regards to:
 - 2.1.1. The type of households that qualify for STB subsidies;
 - 2.1.2. The manner in which households are required to apply for STB subsidies; and
 - 2.1.3. The manner in which qualifying households may acquire STBs as part of migrating to the digital terrestrial television (DTT) platform.

3. HISTORICAL CONTEXT

3.1. Overview

- 3.1.1. Since 1974, South African television has been broadcast by way of analogue technology. In 2006, the International Telecommunications Union (ITU) held a Regional Radio Communication Conference (RRC-06) wherein a Treaty dealing with among others, digital migration of bands III, IV and V was concluded and South Africa became a signatory to the Treaty. The conference resolved that all

countries of Europe, Africa, Middle East and the Islamic Republic of Iran should migrate from analogue to digital broadcasting services by June 2015.

- 3.1.2. The above led to the Cabinet approving the Broadcasting Digital Migration Policy of South Africa in August 2008. The policy required Government to assist poor TV-owning households in gaining access to STBs to enable reception of digital signals and access to digital broadcasting services.
- 3.1.3. As mentioned above, the decision by the South African government policy revised February 2012 to migrate to DTT is based on international obligations for broadcasting digital migration. As part of migration, Government would provide ownership support as an incentive of up to 70% (or R490) to approximately 5 million of the poorest TV-owning households. These households will have to raise the other 30% on their own. This support will be based on the anti-poverty strategy and its conditionalities. Funding for this support will be sourced from the Universal Service and Access Fund (USAF).

3.2. The 2008 Broadcasting Digital Migration Policy

- 3.2.1. The 2008 Broadcasting Digital Migration Policy states that Universal Service and Access to all citizens is a key component of a successful migration to the DTT platform.
- 3.2.2. Government therefore took a decision as a matter of policy to subsidise the poorest TV-owning households to make the STBs affordable.

3.3. USAASA's Mandate

- 3.3.1. USAASA is established in terms of section 80 of the Electronic Communications Act 36 of 2005 (ECA) as a statutory body with a sole mandate of promoting the goal of universal access and universal service to electronic communications services (ECS), electronic communications network services (ECNS) and Broadcasting Services (BS).
- 3.3.2. USAASA's mission is to facilitate and maintain universal service and access to Information and Communications Technology (ICT) services to all South Africans in partnership with other stakeholders to achieve an inclusive information society. Its vision is achieving digital inclusion by accelerating affordable universal service and access in South Africa for socio- economic development. USAASA is also responsible for managing the USAF.
- 3.3.3. USAASA, as part of its mandate has to disburse subsidies for STBs to approximately 5 million TV-owning households considered to be needy and deserving of the 70% subsidy approved by government.

- 3.3.4. For USAASA to roll out the programme of disbursing subsidies to the 5 million needy TV-owning households, it must make use of criteria that will form a basis to qualify those needy households.

4. INTERNATIONAL BENCHMARKING

- 4.1. The main purpose of international benchmarking the South African qualifying criteria against other countries is to establish whether as South Africans we can learn from these countries' experiences, particularly in addressing the question of subsidization for the poor in accessing ICT technologies.

4.2. Peru

- 4.2.1. Peru has a means test approach that is based on digital poverty, used in conjunction with economic poverty. Digital poverty is defined as the lack of goods and services based on ICTs, which depicts how Peru has catered for availability in their country.
- 4.2.2. What USAASA can learn from this country is that rural areas in South Africa have a high percentage of digital poverty and these are the areas that should not be overlooked in terms of the roll out of STBs. If anything, these are the areas that should be given priority in terms of targeting.

4.3. Brazil

- 4.3.1. Brazil did not have any form of a means test for its migration to digital programme. This country has been more concerned with the technical issues involved in migration. As the transition began, it encountered certain challenges. The Brazilian study highlights some gaps that USAASA may have to consider in disbursing to the needy. The Following are the challenges that were experienced by Brazil:
- 4.3.1.1. The prices of STBs are too high;
 - 4.3.1.2. No approach or strategy has been put in place to address access by poor households;
 - 4.3.1.3. The majority of households in Brazil are poor, with some having a negative disposable income;
 - 4.3.1.4. If the disposable income is higher than the price of the device, other payment methods may have to be taken into account, which was not looked into when the rolling out started (e.g. installment or credit);
 - 4.3.1.5. If the disposable income is lower than the installments, such group, may not be included in the potential market to buy the devices; and

- 4.3.1.6. There was no consideration of less expensive alternatives to foster penetration in all levels of society and to bridge the digital divide.
- 4.3.2. USAASA's mandate is to disburse to needy households through a subsidized scheme. Furthermore the scheme is only considering a particular number from these needy households, which is approximately 5 million. It is pertinent to state that there is a possibility that this figure may have increased over time. The question thus may arise as to what will happen to those households living on a negative disposal income who cannot even afford the STB with the subsidy included?
- 4.3.3. In future, it may be a consideration from USAASA to develop strategies of the above mentioned sector of the population.

4.4. Australia

- 4.4.1. In comparison to the two other countries, Australia has managed to cater for the needy and particularly focusing on the elderly and persons with disabilities and those in under-serviced areas. Australia implemented two types of subsidies: one that caters for the elderly and persons with disabilities and the other catering for households in under-serviced areas that receive their signal from self-help towers (in case their licenses are not upgraded for terrestrial self-help analogue to self-help digital).
- 4.4.2. Regardless of it not mentioning anything about the poor society of Australia receiving assistance to access this service, the criteria used is best suited to be considered for South Africa's qualifying criteria. Furthermore, the criteria used in Australia is a commonly used criteria in a number of other countries, one being South Africa, which uses it to identify persons and households eligible to receive government services free of charge or at subsidized rates (e.g. grants, housing, etc).
- 4.4.3. From the Australian experience and approach, USAASA can consider some, if not all the requirements for the criteria used by Australia to qualify the needy, taking into perspective the South African circumstances.

5. STB QUALIFYING CRITERIA CONSIDERATIONS

- 5.1. In developing a qualifying criteria for the purpose of identifying households that are deserving of the STB subsidy, a number of considerations have to be taken into account and some assumptions also have to be made, as depending on the data acquired.

5.2. Living Standards Measure (LSM) Considerations

5.2.1. The LSM levels take into account 29 variables taken from the South African Advertising Research Foundation's (SAARF) All Media and Products Survey (AMPS) to divide the population into 10 LSM groups, with 10 being the highest and 1 being the lowest.

	2006/07		2007/08		2008/09	
	No (000)	Imputed Ave Monthly	No (000)	Imputed Ave Monthly	No (000)	Imputed Ave Monthly
LSM 1	1 493	R 1 058	1 062	R 1 080	1 031	R 1 386
LSM 2	3 407	R 1 261	2 732	R 1 401	2 436	R 1 564
LSM 3	3 693	R 1 613	2 953	R 1 795	2 610	R 2 116
LSM 4	4 488	R 2 022	4 557	R 2 536	4 641	R 2 580
LSM 5	4 320	R 2 903	4 843	R 3 122	5 153	R 3 627
LSM 6	4 976	R 4 723	5 597	R 5 386	6 086	R 5 990
LSM 7	2 653	R 7 579	2 957	R 8 677	3 182	R 9 694
LSM 8	1 928	R 10 015	2 158	R 12 337	2 449	R 13 188
LSM 9	2 228	R 13 507	2 546	R 16 296	2 895	R 17 809
LSM 10	1 923	R 20 278	1 898	R 23 054	2 015	R 26 602

LSM Breakdown for 2006 - 2009 (Development Indicators 2010, The Presidency of South Africa)

5.2.2. LSM levels are used as consideration in this case as they provide a good basis for income and expenditure levels of individuals and in turn of households, which further provides basis on affordability levels of households in the country.

5.3. Income Threshold Considerations

5.3.1. Needy persons in South Africa include those with low or even medium incomes given the high costs of the minimum consumption bundle or "basket of goods".

5.3.2. The Social Assistance Grants Scheme defines personal income as "income earned or received by the applicant and includes income earned or received by his or her spouse, after all the permissible deductions referred to in Regulation 15 have been made." The LSM Test identifies those who are unable to afford an adequate consumption basket. Deductions made for the Unemployment Insurance Fund, pensions, tax, medical aid and other grants are also included in the consumption basket.

5.4. Scheme of Ownership Support (SOS) of Set-Top-Box Rollout Framework Considerations

5.4.1. In accordance with the SOS Rollout Framework (*Scheme of Ownership Support of Set-Top-Box Rollout Framework, February 2012*) and in line with the 2008 Broadcasting Digital Migration Policy, 5 Million TV-owning households have been approved as households deserving of a STB subsidy, at a subsidy level of 70% of the price of a STB.

5.4.2. The SOS Rollout Framework further:

5.4.2.1. Used Statistics South Africa's estimated threshold (poverty line) of R640 per capita to define a household as poor, translating to household income of R3,200 per month (South African household has 3 to 5 family members) as the basis of a needy household;

5.4.2.2. Used the social security system to also define households that are dependent on child support, pension and disability grants as needy households with regards to the STB subsidy; and

5.4.2.3. Used the criteria households that form part of the South African Broadcasting Corporation's (SABC) concessionary TV license scheme as needy households deserving of a STB subsidy.

6. STB QUALIFYING CRITERIA

6.1. Eligibility

6.1.1. In line with the Cabinet Approved SOS Rollout Framework, the following provides the criteria that defines a household that qualifies as a needy TV-owning household and eligible to receive a STB subsidy:

6.1.1.1. Ownership of a functioning TV set, as the STB subsidy scheme is only limited to TV-owning households only;

6.1.1.2. The person applying for the STB subsidy must be a South African Citizen, as the STB subsidy scheme is limited to South African citizens only;

6.1.1.3. The combined household income must be equal to or below the figure of R3,200 as per Statistics South Africa's estimated threshold (poverty line);

6.1.1.4. Households that are dependent on either a child support grant, an old-age grant and/or a disability grant;

- 6.1.1.5. Households that are already covered by the SABC's concessionary TV license scheme.

6.2. Proof of Eligibility

- 6.2.1. To ensure that only deserving households receive STB subsidies as part of the STB subsidy scheme, the following has to be provided as proof that the household is eligible to receive the STB subsidy:

- 6.2.1.1. **Proof of TV ownership:** As USAASA cannot visit every household that applies for a STB subsidy to verify that it is in ownership of a functioning TV set, the proof required in this case is a valid TV License, as issued by the SABC. It should be noted that there are a number of households in the country that own TV sets, but are not in possession of a valid TV license; the reasons for which could vary from household to household. Many of these households are those that could qualify for a STB subsidy. In such a case, a household will be required to apply for a TV License at the time of applying for a STB subsidy.
- 6.2.1.2. **Proof of South African Citizenship:** The person applying for the STB subsidy is required to produce a valid South African green bar-coded Identity Document (ID) as proof of South African citizenship.
- 6.2.1.3. **Proof of Household Income:** The proof of income required is in the form of:
- 6.2.1.3.1. A Payslip from the employer. For persons that do not receive a monthly payslip, a letter from the employer with a stamp from the South African Police Service (SAPS) or the Commissioner of Oaths will be acceptable;
- 6.2.1.3.2. An Affidavit from the SAPS as proof of source of income; or
- 6.2.1.3.3. A Bank Statement for persons with bank accounts, who cannot meet the above requirements.
- 6.2.1.4. **Proof of Dependency on Social Grants:** Households that depend on either a child support grant, old-age grant and/or a disability grant are required to provide confirmation of receiving said social grants.
- 6.2.1.5. **Households in possession of a Concessionary TV License:** These households do not require to provide proof as their information will be verified with the SABC.

7. APPLICATION FOR STB SUBSIDY

- 7.1. Households that seek to apply for subsidies as part of migrating from their current analogue TV platform to the DTT platform will be required to follow the following steps when applying for subsidies.
- 7.1.1. As per the SOS Rollout Framework, households will be required to make their applications through the South African Post Office (SAPO), at their local Post Office branch.
- 7.1.2. Applicants will be required to fill out a form, providing all relevant information required by the form and accompanying documentation. This accompanying documentation is as follows:
- 7.1.2.1. Valid TV License, as per 6.2.1.1 above;
 - 7.1.2.2. South African ID, as per 6.2.1.2 above;
 - 7.1.2.3. Proof of Income, as per 6.2.1.3 above;
 - 7.1.2.4. Social Grant Confirmation, as per 6.2.1.4 above; and
 - 7.1.2.5. Proof of Address, which is required in the form of:
 - 7.1.2.5.1. A statement addressed to the applicant's address (Municipal Bill, Bank Statement, Retail Account, other);
 - 7.1.2.5.2. An affidavit with a stamp from the SAPS or the Commissioner of Oaths; or
 - 7.1.2.5.3. A Letter from the local Traditional House for households without documented physical addresses.
- 7.1.3. The information provided through the application form, together with accompanying documentation, will be captured and a receipt provided to the applicant.
- 7.1.4. The applicant's information will be verified and following verification, the applicant will be duly informed whether they have qualified for the subsidy or if their application was not successful.
- 7.1.5. If approved for the STB subsidy, the applicant will be informed to collect their STB, whereby it will also be determined if they require an outdoor or an indoor antenna and installation. If installation is required, the Post Office will allocate an installer from a list of approved installers.

- 7.1.6. If the application for a STB subsidy is not approved, the Post Office must provide reasons to the applicant why the application was not approved. If the Post Office fails to provide reasons for its decision, the applicant may then request the Post Office to provide reasons for its decision. The Post Office must, within 14 days after receiving such request, give adequate reasons in writing for its decision.
- 7.1.7. If the applicant feels aggrieved by the decision of the Post Office, the applicant may appeal against the decision to the Postmaster of the relevant Post Office. The Postmaster must, within 14 days after receiving such appeal, decide on it and confirm or revoke the decision of the Post Office.
- 7.2. On collection of the STB at the Post Office, the recipient will be required to provide the following:
- 7.2.1. The original receipt as issue by the Post Office at the time the application was made;
- 7.2.2. Their ID to verify if the recipient is indeed the person who made the application; and
- 7.2.3. The balance of payment, which equals to the retail price of the STB less the 70% STB subsidy.

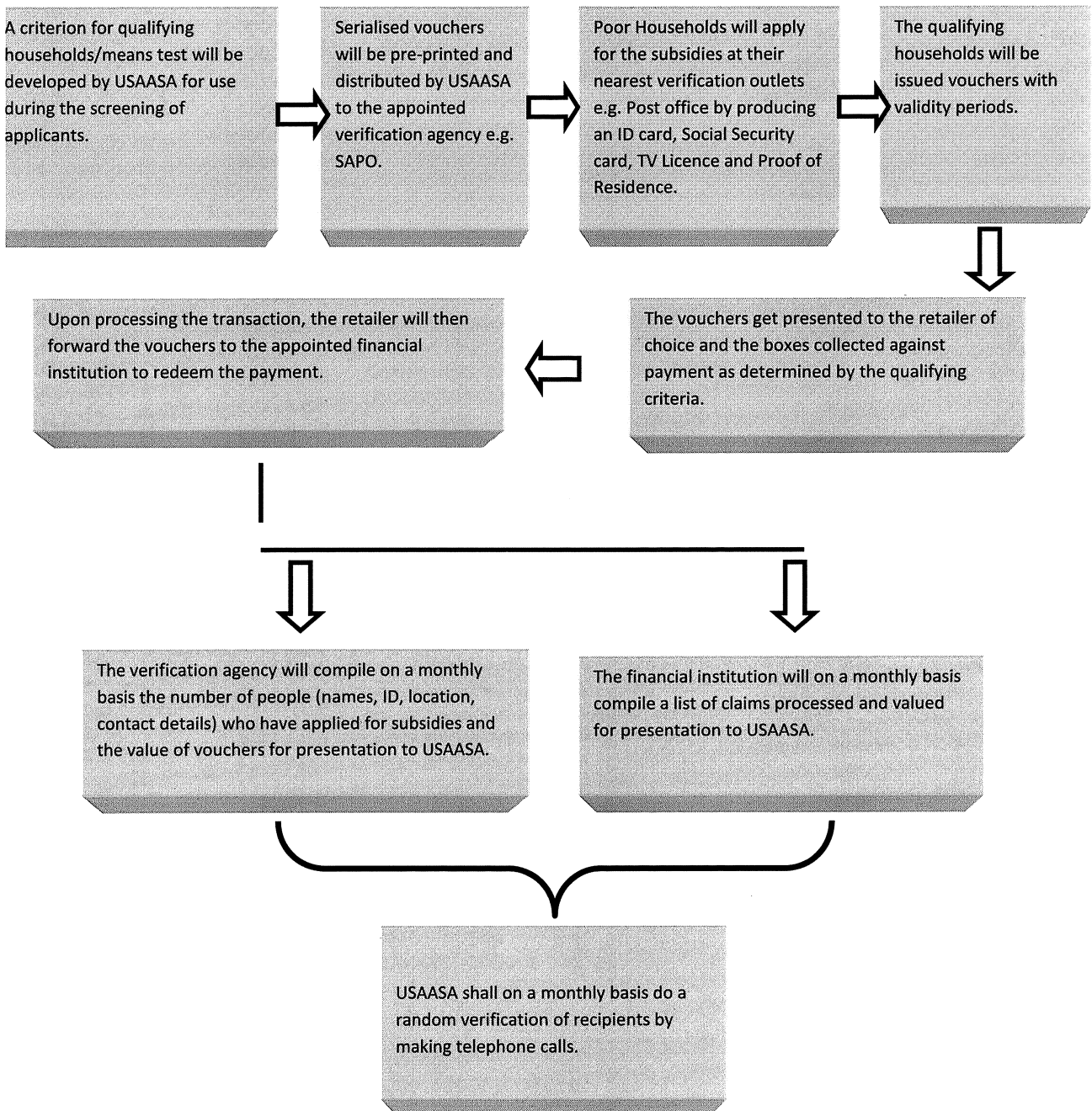
8. THE FRAMEWORK IMPLEMENTATION

- 8.1. USAASA will be responsible for the disbursement of funds for the Scheme for Ownership Support.
- 8.2. The framework provides that, the subsidy model be administered effectively and efficiently to ensure quick turnaround times and eliminates the incidences of fraud. In this regard, a partnership will be entered into with South African Post Office to facilitate the management of the distribution of the subsidy.
- 8.3. SAPO will play a critical role in the distribution and the roll-out of the subsidy scheme. The qualifying individuals will apply and receive their set-top-boxes through the Post Office outlets.

-
- 8.4. A criterion/means test for determining qualifying households has been developed by USAASA for use during the screening of applicants.
- 8.5. The Department through DTT awareness campaign will communicate the qualifying criterion to the public.
- 8.6. The process to rollout the scheme will be such that:-
- 8.6.1. The South African Post Office will collect and transport the STBs from the suppliers to the centralized and/or decentralized warehouse;
- 8.6.2. From these warehouses SAPO will distribute the STBs to the various Post Offices in line with the phased approach adopted in the rollout plan of the DTT programme.
- 8.6.3. The poor TV owning households will apply for the subsidy at the nearest verification outlet e.g. Post Office by producing a South African green bar-coded identification document, social security card, TV license, proof of income and proof of residence.
- 8.6.4. By this time poor TV owning households will receive serialized printed and electronic vouchers from distributed by USAASA. The voucher will have an expiry date.
- 8.6.5. The vouchers get presented to Post Office and the boxes collected against a payment of as determined by the qualifying criteria.
- 8.6.6. Upon processing of the transaction, the SAPO will process the voucher to the Postbank to redeem the payment.
- 8.6.7. SAPO will on a monthly basis, compile the number of people who have applied for subsidies and the value thereof for presentation to USAASA.
- 8.6.8. The Postbank will on a monthly basis compile a list of claims processed for presentation to USAASA.
- 8.6.9. USAASA shall on a monthly basis do a random verification of recipients by making telephone calls.
- 8.6.10. The Department will play an overall overseeing role of the programme.

- 8.6.11. If the STB is faulty, the household will return it to the Post Office outlet. The staff of the Post Office will provide the first line support in terms of checking the decoder
- 8.6.12. Where the fault could not be fixed the Post Office will forward the faulty box to the nearest authorised repair site.
- 8.6.13. Once the box is repaired, the STB will be collected and sent back to the Post Office outlet where the individual can collect his or her set-top-box.

1. Process Flow for the Subsidy Framework



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